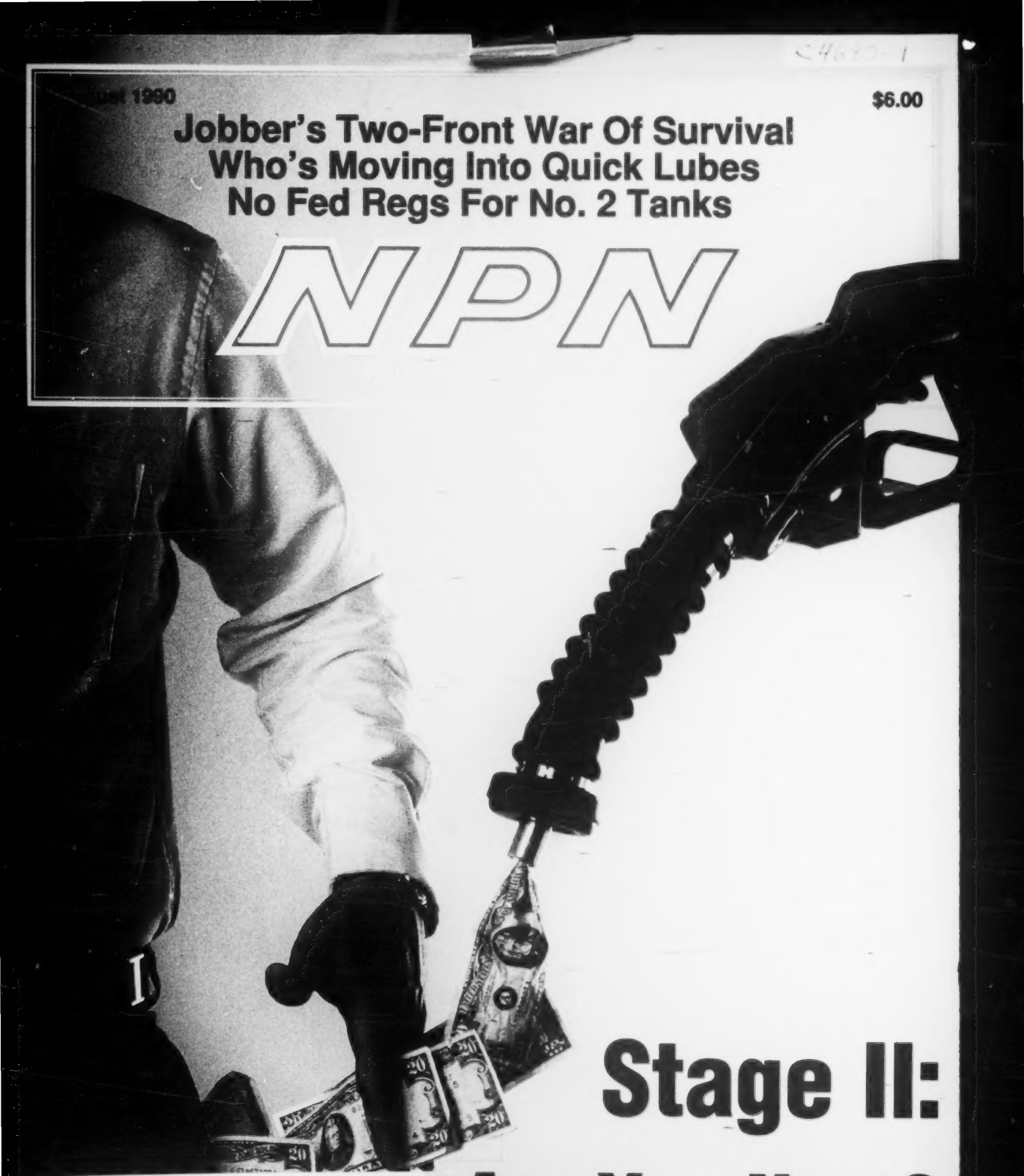
C4620-1

ust 1990

$6.00

Jobber's Two-Front War Of Survival
Who's Moving Into Quick Lubes
No Fed Regs For No. 2 Tanks

NPN



Stage II:
Are You Next?

NPN
NATIONAL PETROLEUM NEWS
Established in 1909

VOL. 82 **NO. 9**

Editorial Staff:

Editor in Chief
Peggy Smedley

Executive Editor
J. Richard Shaner

Senior Editor
Donald M. Smith

Staff Reporter
Steve Dwyer–Chicago

Production Editor
Julie E. Miguel

Editorial Assistants
Wendi Barlow
Arlene Clatts

Contributing Correspondents
Marvin Reid
Mark Emond
Angel Abcede

Columnists
Sam Borenkind
Irving Blackman
Paul Forbes
Howard Upton

Executive Staff:

Chairman of the Board
Elliot Stein Jr.

Vice Chairman of the Board
I. Martin Pompadur

President
Robert E. Yarbrough Jr.

Publisher
Wm. D. Straub

Circulation Director
Roger DiGregorio

Circulation Manager
Patricia Kaminski

Director of Production
George Chmielarz

Production Manager
Lloyd Schultz

Classified Sales
Elizabeth Santelli

Regional Reporters:
East Coast: J. Richard Shaner, P.O. Box 1476, Morristown, NJ 07962-1476. (201) 428-2902
Midwest: Steve Dwyer, 950 Lee St., Des Plaines, IL 60016. (708) 296-0770
South: Angel Abcede, 950 Lee St., Des Plaines, IL 60016. (708) 296-0770
West: Mark Emond, P.O. Box 8130, Anaheim, CA 92812-0130. (714) 774-5598

Editor's Viewpoint

Motorists hate them and Congress wants them. Sounds oh so familiar doesn't it? If you haven't already, you might want to take a good look at our August cover. It's *NPN's* version of a crystal ball. And as far as we can foresee, if Congress has its way, Stage II vapor recovery equipment will suck a few more dollars out of your bank roll.

The *NPN* cover story on page 34 addresses Congressional mandates which require the installation of pollution control equipment for capturing refueling emissions at service stations. Now that the Senate and House have pushed through their versions of the Clean Air bill, the two houses have begun their traditional arm wrestling to hammer out a final compromise measure. But, make no mistake, its a pretty safe bet that some type of vapor recovery devices will be required in a great many areas of the country within the next two to four years. That will mean outlays of between $15,000 and $50,000 per outlet.

As many marketers are aware, the question of whether Stage II works has yet to be sufficiently answered. One marketer summed up the industry's attitude pretty well: "They stink...they don't work...they cost more than they're worth...they spill more than they could ever possibly hope to recover..." Not surprisingly, this is only one of the negative comments that rolled off marketers' tongues at the mere mention of Stage II.

As you will read in the following pages, marketers in California, Washington D.C., the greater St. Louis metropolitan area, and the greater New York metropolitan area, including northern New Jersey, have been confronted with a refueling mechanism they say is ineffective, cumbersome, costly, wasteful and just plain doesn't work. In spite of what these marketers say, for some unknown reason, our state legislators apparently like the pollution control devices. Maybe it's just politics.

Under very trying circumstances, one gutsy small St. Louis jobber, Denise Loeffler of Bi-Rite Petroleum, is taking the government's regs and ferocious competition head on (See p39).

Loeffler has already been through the same wringer that a lot of you will encounter in a few years. No doubt most of you are still reeling from making the necessary tank upgrades and haven't had the opportunity to think about Stage II. But before you make your tank upgrades you might want to take a hard look at the Clean Air bill and see how it might affect your investment plans.

No one can truly predict what local, state, or federal regulators are going to mandate. Simply hope for the best and plan for the worst. Remember, your dealing with almost the same people who regulate USTs.

—Peggy Smedley

NPN—National Petroleum News (ISSN 0149-5267) is published monthly (except semi-monthly in June) by Hunter Publishing Limited Partnership, 950 Lee Street, Des Plaines, Illinois 60016, (708) 296-0770.

© NPN—National Petroleum News

Second class postage paid at Des Plaines, Illinois and additional mailing offices.

Subscriptions are solicited only from executive, management and supervisory personnel at the supplier and wholesale level of oil marketing, engaged in the distribution, merchandising, transportation and storage of petroleum, TBA products, and convenience store items. Position, company and segment of industry must be indicated on subscription orders.

The Audit Bureau

HUNTER™

Basic **subscription rates** for one year to individuals in the petroleum marketing industry are: U.S. $56; Canada $65 (U.S. $); Foreign surface mail $71 (U.S. $); Foreign airmail $106 (U.S. $). Non-industry personnel rates for one year are: U.S. $71; Canada $80 (U.S. $); Foreign surface mail $86 (U.S. $); Foreign airmail $130 (U.S. $); **Single copy price:** U.S. & Canada $8.00 (includes first class postage). Foreign $10.00 (includes airmail postage). **Mid-June Factbook:** U.S. $50; Canada $60; Foreign $70. The publisher reserves the right to accept or reject any subscription. (R) Title registered in U.S patent office. **Change of address:** Notices should be sent promptly; provide old mailing label as well as new address; include ZIP or postal code. Allow 6-8 weeks for change. Send address changes, correspondence regarding subscription service or subscription orders to: Circulation Department, NATIONAL PETROLEUM NEWS, 950 Lee Street, Des Plaines, Illinois 60016. Or call (708) 296-0770, 9 a.m. to 4 p.m.

Postmaster: Send address changes to NPN—NATIONAL PETROLEUM NEWS, 950 Lee Street, Des Plaines, Illinois 60016.

NATIONAL PETROLEUM NEWS

15 Regional News

15 East
Big price cut in turnpike gasoline contract raises eyebrows

16 Midwest
Jobbers rebuilding image after Iowa price-fixing probe

21 South
Texas marketer ends long career; sells unattended sites

22 West
Why Chevron's upgrade plan is crucial to Richmond refinery

25 General News

25 EPA: State regs—not federal—needed for fuel oil tanks

25 Dealers win first PMPA round in house vote

26 Three industry groups endorse octane fraud bill

27 SIGMA profile pinpoints unattended self service

28 PMAA revives old idea to improve fuel oil image

30 Appeals court resurrects oil antitrust suit

30 OSHA enforces open pit regulations

30 Chevron unveils cleaner burning motor fuels

30 Total signs POS pact with JC Penny

32 PEI updates recommended tank installation practices

32 Amoco gets record sum in settlement

32 House wants to nullify decision on lender liability

34 Features

34 Cover Report
Stage II vapor recovery: Are you next?

Scrappy jobber hangs tough in fierce St. Louis market

42 Marketing
Majors making quicker moves into quick lube

58 O&E Management—Howard Upton
Tanks do not a station make

Departments

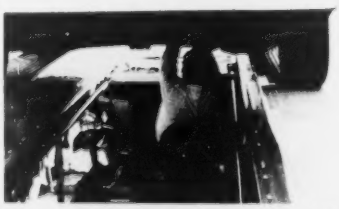
50 About Oil People
7 Ahead of the News
52 Briefs
9 Catching Up
64 Classified
3 Editor's Viewpoint
10 Marketplace
56 Product Showcase
10 Trends

Marketers in the worst polluting cities face almost certain federal mandates on Stage II vapor recovery. Problem is, marketers familiar with the system say it's costly, waste-ful and doesn't work right.

Page 34

Faced with expensive environmental regs on one hand and ferocious competition on the other, Denise Loeffler is carving out a small niche in the tough St. Louis market with an emphasis on personal service.

Page 39



The quick lube business is reorganizing, rebuilding and retrenching in a number of ways. New entries in the field include the big three carmakers and major oil companies.

Page 42

• TRENDS

Are Low-Price Indies High-Price Converts?

While it's still a sporadic situation, a trend toward higher rack-to-retail gasoline margins has been slowly developing in the backlash of soaring costs of building and operating retail gasoline facilities.

Jack Malone, for one example, a large Memphis-based multibrand independent who has had his share of disagreements in the past over his "low" gasoline pump postings in small rural towns of Arkansas and Tennessee, indicates that he has become more margin-conscious lately.

Malone relates a conversation he had some time back with one of his station managers in a small Arkansas town.

The manager was losing business to an outfit named "Bozo's Barbeque" because Bozo's was selling gasoline below the Malone station. The manager suggested that Malone let him cut his pump prices to meet Bozo's.

Malone said no. Instead, he advised the manager to let his customers know, "We are putting in new tanks and pumps at his station to comply with environmental laws, and if we're to stay in town, we've got to price our gasoline at a level where we can make some money."

Gasoline customers, Malone explained, are seeing a lot of stations being closed due to the costly environmental regs. They will understand why those that wish to remain in business have to price their product higher.

Marketers with low-price marketing reputations like Malone, however, still believe in meeting fire with fire when they believe such is necessary.

At about the time Bozo's was giving his small-town dealer fits, Malone was meeting a low-price competitor in Memphis "right on the nose." This competitor, Malone complained, had been "run out of this market once," but had returned with his low-ball pricing tactics."We have to show him he still can't get away with that."

Malone's new approach of being cautious and selective in reducing his pump prices is paying off.

Recently, he was getting rack-to-retail "pool margins" ranging from about 10.07¢ to 13.8¢ gal. at his string of rural-type outlets in Arkansas and Tennessee. In two instances, the pool margins were as high as 15.25¢ and 18.25¢ gal. Not since the chaotic supply shortages of the 1970s have margins ranged so high in such rural markets.

In Memphis, even meeting the old foe's low prices at the one location, Malone's rack-to-retail margin was 7.5¢ gal. at the time. "That's not bad," he says. "This is a high-volume unit and we can make money at that level. Two or three years ago, we couldn't get that much margin anywhere."

Some marketers believe the high attrition rate of older retail outlets, coupled with the soaring costs of modernizing or building new units, will allow survivors from now on to generally get better markups. They think this will be so, in particular, in some rural areas. The same old toe-to-toe slugfests of the past, however, may continue to dominate some metro markets and interstate highways.

But while some marketers are enjoying better margins nowadays, their "bottom-lines" may not be improving due to soaring costs.

In Memphis, says Malone, some majors have recently paid $800,000 to over $1-million for "just the ground" to get prime locations. He estimates that with improvements, some of their investments at single locations easily exceed $1.5-million today. Similar huge investments are being put into interstate highway "fuel stops."

Such costly units require high gallonages. Usually, this translates into low markups.

"You've got to meet your high-volume targets at such units to keep your cost-per-gallon operating costs in line," says a low-price, high-volume marketer. "If you don't, they'll eat you up. We never give up gallons for margins. We will take whatever margin the market will let us have but we won't let our competition undersell us."

As some marketers see things shaping up, there won't be much letup in price competition in the metro markets and along the interstates. Those still hanging on in the smaller towns can generally expect better margins.

—by Marvin Reid

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

May	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.114	1.044	1.061	1.248
Regions				
Northeast	1.109	1.076	1.027	1.244
North Central	1.134	1.062	1.090	1.292
South	1.105	1.046	1.042	1.219
West	1.108	1.038	1.082	1.272

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	6/29/90	6/30/89
Gasoline (Total)	215,318	219,942
Gasoline (Unleaded)*	165,074	156,473
Jet Kerosine	41,256	39,891
Distillates	110,058	100,626
Residual	44,004	43,259

**Included in gasoline total.*
Source: American Petroleum Institute.

Majors Making Quicker Moves Into Quick Lube

To say the quick-lube business is changing is a vast understatement. Quick lubes are reorganizing, rebuilding and retrenching so fast in so many ways that the business seems sure to look quite different in a few years.

Consider these major developments:

- The three major U.S. car makers are organizing many of their thousands of dealers to do quick lubes, potentially doubling the total number of quick lubes in the country in a year or two.
- Two of the biggest motor-oil manufacturers and quick-lube giants are redesigning and downscaling their standard buildings, seeking more-economical means of staying in the business.
- Major oil companies aggressively selling lubricants to independent quick-lube operators are expanding into large networks without significant cash outlays.
- Major oil companies building franchise chains are starting to roll, attracting many branded marketers into the business.
- Through franchises, supplier programs, and their own independent efforts, petroleum marketers are expanding into quick lubes and becoming significant factors in the business.
- Major oil companies are continuing experiments to find the right quick-lube combination, and standalone units are giving way more and more to business combinations with two or more profit centers.
- Many independent quick lubes are expanding into other automotive services and products as a means of increasing sales and margins—often for survival.

Down the road, it may be that quick-lube facilities will come to resemble conventional service stations, with the important difference being that the lubrication business will dominate automotive service, not the other way around.

Big-3 auto makers jump in

Without a doubt, the biggest development in the quick-lube market in the past few years has been the decision of the big-three U.S. auto makers—Ford, General Motors, and Chrysler—to enter the business.

There are 18,200 big-three car dealerships in the United States, and if any substantial number of them are converted over to fast lubes, the effect on the installed lube-oil market could be enormous. The quick-lube population is about 5,000, most authorities believe, but about 8,000 if you include specialty automotive shops, such as tuneup, that also do quick lubes.

The car-dealer potential is even greater because foreign and other auto companies aren't likely to stand idly by.

Some specialists think quick lubes won't appeal much to service dealers because of their preoccupation with more-expensive services. "They concentrate on big tickets," says Tom Whennen, executive director of the National Assn. of Independent Lubes (NAIL). "They might find it difficult to change something that's been ingrained in the dealership for such a long time."

So far, quick lubes don't consider car dealers much competition, even those that have converted to fast lubes. Quick-lube owners believe dealer service centers aren't fast or convenient and probably cannot be sufficiently improved to change that image. Car dealers' share of the market has been flat at about 21-22% for past four years (see graph).

Auto makers, on the other hand, are aware of this reputation and think their quick lubes can turn the public perception around. This is especially true of Ford, which requires a dedicated, two-man service installation to qualify for the Motorcraft/Fast Lube program.

Ford was the first to kick off its program, in April 1989, promoting a 15-minute change with no appointment. In March 1990, there were 135 Ford and Lincoln-Mercury fast lubes in operation, and the company expected 225 year-end. This is not a large number for the time elapsed, and there's an apparent reason.

Requirements include specialized lift equipment, often a $9,000 hydraulic lift with a catwalk to permit an attendant to work on the top of the car while another attendant works on the bottom. "We feel this is the only way we can ensure that customers will

Mark Emond
Contributing Correspondent

get a 15-min. fast lube as promised," says Bob Craik, special project coordinator. Catwalks can also be installed on some existing lifts for much less.

If a dealer doesn't already have simultaneous top-bottom capability, Ford's fast-lube package, including signage and other materials, would cost $22,000, Craik says. The relatively large investment required could discourage many of Ford's 5,500 dealers from entering the program.

GM's Mr. Goodwrench Quick Lube Plus, launched April 1, 1990, reported more than 1,700 participating dealers in a little over three months. Michael McShane, manager of the program, says there will be 2,000 by year-end and probably 4,000 in a couple of years.

GM's main requirement is that dealers complete the oil change and 10-point check in 29 minutes or less or give the next service free. Some dealers have decided to build a separate quick-lube facility, but most just use their existing bays. Therefore, the potential for conversion is much larger than for Ford. There are 7,400 qualified Mr. Goodwrench service facilities of a total of 9,700 GM new-car dealers.

GM, and probably other auto dealerships, aren't as concerned with the number of jobs they do in a day as are quick lubes, where car counts are the life blood. McShane explains, "We're not faced with breakeven car counts that specialty quick lubes are. If our lube racks don't have cars on them doing lubes, they can, unless they are specialized racks, be used for other services."

Ford, which buys its lubes from Mobil, got into bulk lubricants through its quick-lube program. Conoco supplies the Motorcraft lubricants.

Chrysler, the latest to join the trend, has a potential of 5,300 Chrysler/Plymouth, Dodge, and Jeep/Eagle dealers that could offer Mopar Xpress Lube. It requires a lube job in 30 minutes or less or the service is free—not the next one, but this one. Mopar lubes are supplied by Citgo.

Participating dealers will dedicate a bay to Xpress Lube and perform only quick lubes there. Personnel will receive specialized training.

In early June, with the program just in the launching stage, Dick Bentzen, Chrysler service manager, said he was forecasting 250 participants the first time through the country and 500 by year-end, with 1,000 in 18 to 24 months, "conservatively."

Big-3 quick lubes scale down

The three dominant manufacturers and marketers of motor oils also have three of the largest quick-lube chains—Pennzoil, Quaker State and Valvoline (Ashland). Together they have 2,300 operating fast lubes, about half of the total U.S. population.

In a shakedown that has been going on for two years, not connected with the automaker programs, all three are re-evaluating their operations and developing economies that will enable them to continue in the business. The rapid expansion of the past few years has caused many problems.

Jiffy Lube International, with 1,050 stores, developed severe financial troubles, culminating in Pennzoil's takeover by acquiring 80% of the company. A spokesperson says, "We grew too fast and our debt load became unbearable."

The founder and chief executive, James Hindman, is no longer involved actively, but is remaining as a consultant for five years. The new president and CEO is J. Ronald Calabrese.

Jiffy is engaged intensively in redesigning its stores to be less costly and more efficient. It's taking back some stores from franchisees who couldn't make it, bringing the facilities up to new standards, and remarketing them. With openings and closings, planned expansion will be a modest 10% this year. Future expansion will be 20% annually, a spokesperson says.

Pennzoil also supplies 550 independent Pennzoil 10 Minute Oil Change stores.

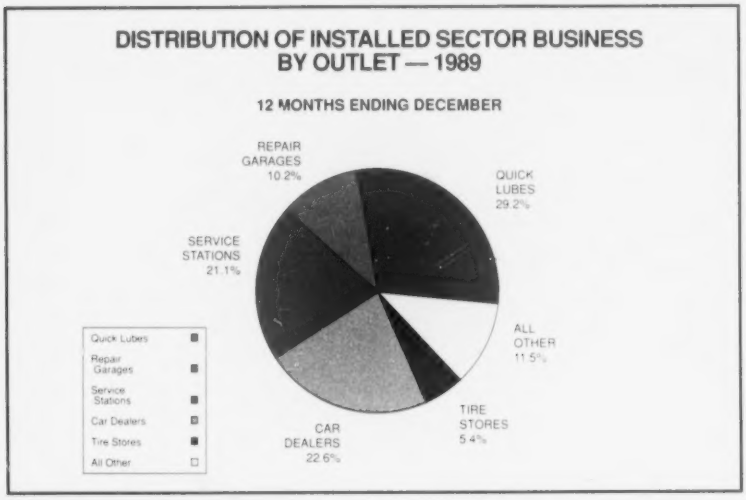
Quaker State Minit-Lube has 379 centers, with plans to add another 30 this year. During the past year the company has not been expanding as aggressively as it did previously and has developed smaller new buildings.

Minit-Lube will build nothing bigger than two-bay, in-line 1,140-sq.ft. units with pits (lower work areas). In the past, a typical building had three or four tandem bays, full basements, and up to 1,950-sq.ft. (In-line bays can accommodate one vehicle each, tandem bays two vehicles each.)

Summing up, Ron Witzel, manager of construction and development, says, "We're trying to control overhead and reduce our development cost to a point where our breakevens and paybacks are workable."

Valvoline Instant Oil Change, with 278 company-owned stores, has the most control over its operation of any of the largest quick-lube chains. Many have been acquired by acquisition, and Valvoline is concentrating

Manufacturers of motor oils, the big-three U.S. automakers and the majors are aggressively expanding into the quick-lube business making the competition even more fierce.



on bringing them up to company standards.

Valvoline plans to build about 40 a year in the foreseeable future, some of them on shared sites with tuneups and other automotive services. The simple, basic quick lube remains the same, 10 or 15 minutes. It probably can be done faster, but the public might think it was being short changed, a spokesperson says.

Automatic transmission servicing is being added at some stores to improve profit margins. No other service additions are presently planned.

A spokesperson doesn't think Jiffy Lube's financial crisis indicates any chronic problems in the business. "The industry has been going through a shakeout the last two years, with the prime events being the entry of the major oil companies and now the auto dealers," he says.

"A couple of years ago the philosophy in the quick-lube business was to grow as fast as you can, get numbers of stores, market share. I think all of us found out that real rapid growth might not be the way to go. You've got to get the quality sites, that's most important."

Where the oil action is

The biggest impression major oil companies are making so far on the quick-lube market isn't the result of standalone units, but rather in the number of independent supply contracts or franchisees they are lining up.

Standouts are Texaco, Citgo, Mobil and Unocal—each with a different program.

NAIL calculates major oil companies supply about 10% of the quick lubes in the country. If the total is 5,000, then majors supply 500. This is probably on the low side.

Texaco has 251 signed agreements to supply Havoline Oil. Of these, 200 are Texaco Express Lubes, which get the benefits of the name, credit cards, training, merchandising and such. The others are independents who carry Havoline motor oil as their primary product.

Texaco has four standalone Express Lubes run by Star Enterprise, the partnership between Texaco and Saudi Arabia. While the lubricants department pursues its efforts to sign up additional quick lubes, the refining and marketing company plans to build new quick lubes in combination with other businesses in a test program aimed at finding the right combinations for its marketers.

Citgo, a jobber-oriented company, is cultivating quick-lube business in a program similar to Texaco's, but without stores of its own and without significant capital investments.

A supply contract with United Auto Service Centers, an Avis franchisee, has resulted in a few quick lubes in the Northeast and Southeast, but the program has stalled for reasons unclear to Citgo. "I'm really not sure where that program is going," says Tom Spann, manager of the program.

But on other fronts, Citgo is moving right along. Citgo supplies some 80 or 90 quick lubes indirectly through its jobbers, and about 100 on a direct basis in a deal with P & M Oil Co., Landsdown, Pa., which has over 100 quick lubes in 25 states. "They've made national agreements with a number of franchisers," says Spann, "and we've made an agreement with them."

To assist its marketers in the quick-lube business, Citgo studies a site and provides some demographics to help decide if it will build a quick lube. The company offers generic building plans to give marketers a start on design. In association with Joe Haggard's National Fast Lube Training Center in Cocoa Beach, Fla., Citgo offers a five-day training program for prospective investors and operators.

Citgo usually sets a target of 50 to 100 quick lubes a year, but the target is re-evaluated every year depending on market circumstances.

Citgo supplies quick lubes direct, with the distributor delivering, or indirect through the distributor. In the former case, Citgo has the account; in the latter case, the marketer has the account.

In the case of Citgo's contract to supply Chrysler quick lubes, Chrysler picks the distributor it wants to work with, with Citgo's recommendation. Chrysler buys the lubricants from Citgo and tells the distributor to pick them up at Citgo's terminal and where to deliver it.

"It's like Chrysler is hiring a carrier," Spann explains. "As long as they are approved carriers or persons who can handle the product like that, we have no concern who picks it up at our terminals."

Mobil's test of freestanding quick lubes, Lube Express, announced in November 1988, has stalled, but its efforts to sign up independents is moving ahead aggressively.

Of the 18 outlets Mobil said it would build—six in Texas, six in northern Virginia and six in Florida—the six in Texas have been opened, two have been built in Florida, and none has been opened in Virginia. A spokesperson did not know when the 18 would be completed.

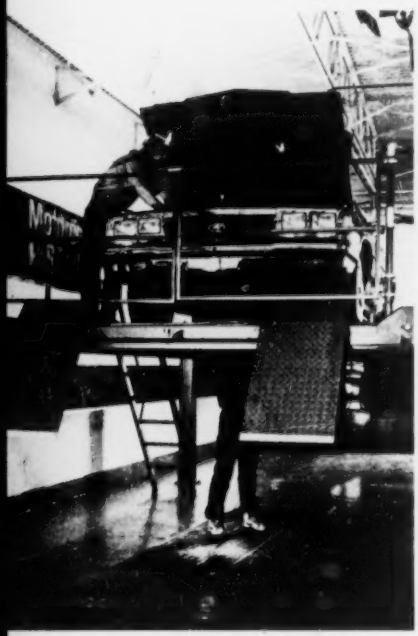
The spokesperson acknowledged that Mobil was interested in signing up independents—"that's the name of the game"—but he would not say how many there are or what the company's plans are.

Unocal has two quick-lube programs, one for its jobber-oriented operations in the East and one for its dealer-oriented operations in the West. Both are keyed to multiple profit centers.

In the East, Unocal has signed up 34 new franchisees in a program that strongly emphasizes associated profit centers wherever possible. Of the 34, 17 were open in June and the remainder are in various stages of completion.

There were nine standalones in the lineup, and the rest were combinations. The adjunct profit centers for the first batch of 76 Express Lubes are: gasoline (5); gasoline and C-store (7); gasoline, C-store and automotive service (2); car wash (4); car wash and gasoline (1); car wash, gasoline and C-store (2), car wash, gasoline, C-store and diesel fuel (1), car wash, gasoline, C-store and automotive service (1); tire center (1); and muffler center (1).

When Unocal sees a site it thinks would



Ford Motor Co. was the first automotive manufacturer to kick off its quick oil change business in April 1989, promoting a 15-minute change with no appointment.

make a good Express Lube, or one of its marketers suggests one, the company studies the property "to see what the marketer can do to develop it to get the best return on investment," explains Jack Day, manager of the program. "We help him make the decisions that best fit his needs, his area and his budget. The most successful units are ones that have multi-profit centers on the same piece of property."

In the West, Unocal has built no standalone quick lubes and doesn't intend to do so. Six planned for next year "will all be packaged with something else," says Ron Ciciarelli, 76 Expresslube specialist. The most-likely combination will be with an existing self serve C-store/gasoline station.

Unocal's current program, however, consists of dedicated bays at dealer stations. There are some 30 now, with a total of about 80 planned by the end of next year.

Some have full basements and some have pits. Some are drive throughs, which the company prefers. Ciciarelli explains, "It gives the appearance of a professional lube setup. I think the public is more geared to that concept." In any case, a dedicated bay, available if a customer wants a quick lube, is a must, he believes.

Some dedicated bays have a two-man hydraulic hoist with a center post. The rack has a catwalk around it so that one attendant can work on top and one below.

Oil-company standalone quick lubes appear to be all still experimental. The vast resources in capital and sites that oil companies command hang heavy over the quick-lube business.

Sleeping giants

It took oil companies two decades to make up their minds about C-stores, but it may take less time to make up their minds about quick lubes. Lube specialists think oil companies will jump in soon. Says Whennen of NAIL, "We feel they will be a major player in the market, but not yet. It's going to be another year or two before they find the right combination."

Most oil companies are experimenting with standalones. Among the latest new tests are Chevron's.

A converted Gulf station in Texas never got off the ground. Current Chevron experimentation is on the West Coast, where the company has four Chevron Fast Lubes. Three are company operated, and one is dealer operated.

John Holmes, coordinator of retail lube centers, says two are pit types, with 2x2 bays, meaning two side-by-side bays.

Two retrofit centers are especially experimental. One employs a four-post electric hydraulic lift equipped with a catwalk that the top attendant walks around on. The bottom attendant works on the bay floor as usual.

At a second unit, Chevron is testing a prefabricated steel trench, about 40-in. deep, that permits the bottom attendant to service the undercarriage on a movable chair. The oil is drained by means of a suction pipe inserted in the dipstick tube.

Holmes provides plans to each of the marketing regions, which operate as separate business units, so that he doesn't know what type of quick lube they'll build or retrofit. Quick lubes are becoming popular where local ordinances ban eliminating service stations. A quick lube is acceptable, Holmes says.

Holmes says, "We've been getting experience, learning the merchandising end of the quick-lube business, which is different. All are in conjunction with gasoline. They're not standalone and won't be. We think it's a viable alternative, given the right demographics and competition. We're pretty much in the learning stage and we're learning a lot."

Chevron is reportedly putting together a package of aids to help its marketers get into the quick-lube business.

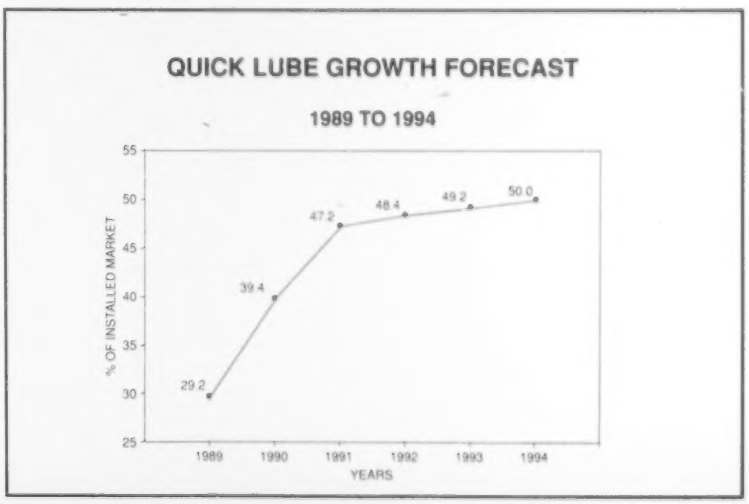
Phillips built one quick lube in Borger, Texas, and is building another in Tulsa. A spokesperson says no conclusions have been reached yet.

Phillips reports it has signed a supply agreement with a new quick-lube operator, Lickity Split, Springfield, Mo., with one in operation and several others planned.

Shell has no quick lubes and a year ago wasn't thinking of building any. This year, however, a spokesperson says the company is considering some. Its Right-a-Way dedicated bay program for dealers is still operative, but a spokesperson wouldn't say how many dealers are participating or how the operation is going.

Amoco is considering turning over its three test Amolubes in Minneapolis to dealers. It has a dedicated bay program for dealers, but a spokesperson says the number participating is unknown.

Amoco is encouraging its marketers to



enter the quick-lube business at existing stations. For $6,000, marketers with at least two bays can buy a specially designed quick-lube lift, and for another $3,000 they get a signage package.

Amoco appears to have come to the conclusion that existing stations, either dealer or jobber, are tactically best situated to compete with the quick lubes of competitors.

Exxon, after building a standalone Superflo Fast Lube in Charlotte, N.C., last year, has built no others, evidently preferring its franchise arrangement with Mr. Lube International, a Canadian company, and its own dedicated bay program for dealers and marketers.

Most of Exxon's Mr. Lube quick lubes are located in conjunction with its stations. This arrangement is preferred because existing stations provide ready-made traffic that enables the quick lube to build volume more rapidly than one standing alone, Exxon believes.

After about a year of testing Express Oil Service dedicated bays at more than 100 stations in New Orleans, Baltimore and Morristown, N.J., Exxon reportedly is expanding the program, with plans to offer a package to jobbers nationwide. A $450 kit provides signage, merchandising material and a training video tape.

Emro Marketing, Springfield, Ohio, a wholly-owned subsidiary of Marathon, has two Speedway Lube Centers, one opened in December 1989, in Dayton and one in February 1990, in Columbus. They are 1,400-sq.ft., including office, storeroom and bathroom, with two bays and pits.

The centers carry Quaker State motor oil in addition to Marathon's own Titan brand. Leon Marlowe, marketing vice president, says no others are planned.

Where to go from here?

Oil companies are making inroads into the lubricant market taken away by quick lubes, but not fast enough. Statistics show service stations are losing lube volume at about the same rate quick lubes are gaining it.

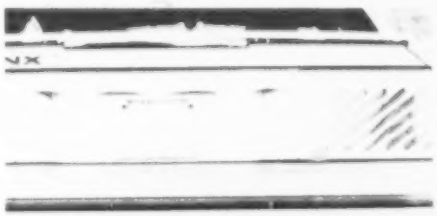
Between 1985 and 1989, the service-station share of the installed motor-oil market fell from 38.9% to 21.1%, a drop of 17.8 percentage points, according to NPD, a market research firm. Contrarily, quick-lube market share rose from 12.2% to 29.2% during the period, a gain of 17.0 points (See graph).

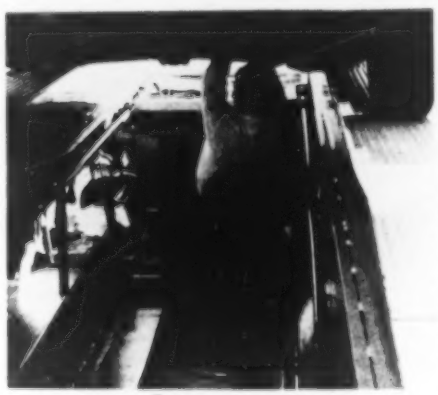
These figures may be misleading, however, from the point of view of oil companies, though not from the point of view of dealers. Quick-lube sales include volume supplied by the majors. In other words, major dealers are losing substantial volume to quick lubes buying oil from their suppliers.

Oil companies have the means of regaining some of the lubricant market directly, while dealers basically don't. There appears to be no way out of this dilemma unless oil companies develop strong quick-lube programs for their dealers.

The installed lube sales of repair garages and car dealers have remained roughly static over the past five years, NPD reports.

In 1989, the market shares for installed sales were as follows: quick lubes 29.2%, car dealers 22.6%, service stations 21.1%, repair garages 10.2%, tire stores 5.4%, and all others 11.5%, NPD says (See pie chart).





In Chevron's program, a bottom attendant scoots along on a chair to service the undercarriage. This allows a car to be serviced from the top and bottom simultaneously.

Shifts in market share are serious now, but will become more serious over the next few years, forecasts show. The 29.2% share of quick lubes in 1989 is expected by some authorities to increase to 50% in 1994 (See graph). The question is, out of whose hide will the increases come?

Larry Northrup, executive director of the Convenient Automotive Services Institute (CASI), an association representing franchisors, franchisees, suppliers and independents, believes the heyday of quick-lube expansion has probably passed and the majors may already have missed the boat.

"None of the integrated oil companies has made a big splash yet, although almost all of them are sniffing around," he says. "I think they may have missed the boat, unless they can buy up a large existing franchise, which is always a possibility. But as for starting from scratch right now, I think that would be really tough to do."

He adds, "Oil companies are so large, any decision they make is going to take years."

Northrup doesn't think dedicated service-station bays will cut the mustard, either. He says, "Quick lubes are quick, that's their reputation, and stations don't have that reputation."

Within the quick-lube business, NAIL's Whennen says the next year is going to be a testing ground for additional products and services quick lubes can provide—not just tuneups, which are already spreading, but automatic transmission service, radiator flushing, air conditioning, smog checking, tire rotating and others.

"It's going to be like, what goes around, comes around," he says, comparing the evolution of quick lubes to that of the C-store business, which started with basic products and expanded broadly.

There's no consensus among lube specialists at what stage in its life the quick-lube market is: youth, adolescence, or maturity. Nobody says it's in its old age.

Some markets are said to be saturated or nearing saturation. Some mentioned are Dallas/Ft. Worth, Chicago, some Atlantic Coast and Florida markets, Phoenix, Seattle and Atlanta. One source says metropolitan areas in general are "pretty much saturated."

Quick-lube specialists almost unanimously believe location is the name of the game. What some seem to be leaving out of their appraisals of oil-company potential is locations—a vast resource oil companies have in the very competitive real estate market.

As it was in the case of convenience stores, oil companies are capable of great effect, even after the passage of many years, substantially because of their reservoir of sites.

Lubricants are one of their most profitable businesses and groceries were not. There are pretty good odds that it won't take oil companies so long this time around. NPN

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 3, 5, 10, 12,

38-46, 51,52, 55